

Community Homeownership Impact Fund Income Eligibility Worksheet

Instructions

All Administrators are required to use this Eligibility Income Worksheet in determining eligibility for Impact Fund assistance.

All steps must be completed:

- Step 1: Determine whose income to include and list the names
- Step 2: Enter the amounts in the chart and complete the annualized gross income.

Requirements:

- Applicants cannot intentionally manipulate income (quit job, etc.) to become eligible.
- Documentation used to determine eligibility income must be dated within 4 months of the closing date, with the following exceptions:
 - Owner-Occupied Rehabilitation (with a closing): Income eligibility may be verified within twelve months prior to the closing date, provided the applicant submits an attestation within 10 days of closing confirming that their income has not changed since the initial verification.
 - Owner-Occupied Rehabilitation (no closing date): For owner-occupied rehabilitation subsidies provided as grants without a closing, income verification, and the applicant attestation may be based on the project start date instead of the closing date.
- Minimum required income verification documentation (additional documentation may also be required, see instructions in the Income Types section below):
 - One month's recent pay stubs; and
 - Prior year's Federal Income Tax Return (tax transcripts can be used in replacement)
 - Zero income documentation, as outlined in the Income Types section below (if applicable).

Income to Include

- Base pay (full-time, part-time, or seasonal with regular hours, expressed hourly, weekly, or monthly, etc.);

- Variable income (irregular hourly, commissions, overtime and bonuses, irregular employment, shift differential, tips, profit sharing, sick pay, holiday and vacation pay);
- Self-employment or business income;
- Income from financial assets, trusts or annuities (dividends, royalties, recurring capital gains and interest earned from non-retirement accounts);
- Government Transfer Payments (retirement, disability, medical, social security, veterans, unemployment and income maintenance benefits, pensions, workers' compensation, public assistance and federal education and training assistance);
- Insurance or benefit payments (long-term care, disability, pensions or death benefits);
- Net rental income from investment property;
- Contract-for-deed interest income;
- Child support and spousal maintenance;
- Regular financial contributions from an individual or individuals whose income does not need to be included in the Annualized Gross Income calculation;
- Employer-paid allowances (housing, automobile, cell phone, etc.);
- Flexible benefit cash;
- Custodial account income received on behalf of a minor dependent;
- Estate income; and
- Other sources of income not specifically excluded below.

Income to Exclude

- Income no longer available;
- One-time (non-recurring) income (income received once that does not have a history and is unlikely to reoccur in the future);
- Income generated by IRA, VIP, 403(b), and 401(k) accounts;
- Supplemental Nutrition Assistance Program (SNAP) benefits;
- Meals on Wheels or other contributions of food;
- Government-paid childcare which is paid directly to the provider;
- Foster care income;
- Educational scholarships, grants, loans or tuition reimbursement;
- Earned Income Tax Credit refund payments;
- Potential roommate income or rental income of future duplex or accessory dwelling unit;
- Transfers between individuals whose income must be included in the Annualized Gross Income calculation;
- Court-ordered child or spousal support not received;
- 529 plans;
- Custodial accounts where someone other than the parents are named as custodian;

- Custodial account income received on behalf of adult dependents whose income does not need to be included in the Annualized Gross Income calculation; and
- Non-recurring payments from: Inheritances, insurance settlements, lottery winnings, gambling winnings, capital gains, liquidation of assets, settlements for personal loss.

Step 1: Determining whose income to include.

Table 1: Housing activity and Income

Housing Activity	Whose Income to Include
New Construction, Acquisition Rehabilitation Resale and Affordability Gap	<p>Anyone who will have title to the property and signs the Mortgage Deed.</p> <p>Anyone expected both to live in the residence being financed and to sign the Note.</p> <p>The legal spouse of the mortgagor who will also reside in the subject property.</p>
Owner Occupied Rehabilitation	<p>Anyone in title to the subject property who also resides in the subject property.</p> <p>The legal spouse of the mortgagor who will also reside in the subject property.</p>

List the Names of the people whose income must be included in the eligibility income calculation

Full Name of Person A

Full Name of Person C

Full Name of Person B

Full Name of Person D

Step 2: Enter the total annualized gross income for each person listed in Step 1.

If a Household member listed in Step 1 above does not provide income, enter "0" in each row below.

Click on each income type for detailed information.

Table 2: Eligibility and Income Calculations

Income Type	Person A	Person B	Person C	Person D
Base Pay Regular Hours/Pay	\$	\$	\$	\$
Variable Income	\$	\$	\$	\$
Self-Employment/Business Income	\$	\$	\$	\$
Income from Financial Assets	\$	\$	\$	\$
Government Transfer Payments	\$	\$	\$	\$
Insurance or Benefit Payments	\$	\$	\$	\$
Investment Property Net Rental Income	\$	\$	\$	\$
Contract for Deed Interest Income	\$	\$	\$	\$
Child/Spousal Support	\$	\$	\$	\$
Regular Cash Contributions	\$	\$	\$	\$
Employee Allowances	\$	\$	\$	\$
Flexible Benefit Cash	\$	\$	\$	\$
Custodial Account Income	\$	\$	\$	\$
Other Sources of Income	\$	\$	\$	\$

Total Annual Household Eligibility Income \$ 0.00 _____

Gross Monthly Income (Annual Income/12) \$ 0.00 _____

Best Practices

- Obtain additional written information if needed
- Administrators may compare, but not rely upon, first mortgage lender's income calculation to determine eligibility (for new construction, acquisition-rehab-resale, and affordability gap).

Income Types

1. Base Pay – Regular Hours/Pay

Definition/Inclusions

Gross salary or wage income from part-time, full-time, or seasonal work with regular hours/pay, including any sick, holiday, and vacation pay

Guidance

- Determine whether applicant receives regular hours or pay, variable hours or pay, or some combination. For variable hours or pay, follow variable pay guidance.

Regular hours/pay: Applicant is paid in regular intervals based on a consistent number of hours worked or salary. Follow base pay guidance.

Regular hours/pay calculation

- Determine frequency of pay (weekly, bi-weekly, semi-monthly, etc.)
- Identify documentation needed to calculate. This could include, but is not limited, to:
 - Paystubs
 - Verification of Employment (VOE)
- Separate base pay and variable pay. If variable pay is a consideration, calculate the base payment first, then variable pay.

To determine annualized base pay:

Weekly pay: Multiply the pay per hour by the number of hours worked per week. Multiply total by 52 weeks a year.

Example

\$15 per hour x 40 hours a week = \$600

\$600 x 52 weeks a year = \$31,200

Semi-weekly pay: Multiply the semi-weekly pay by 26.

Example

\$1,200 every two weeks x 26 pay periods a year = \$31,200

Semi-Monthly pay: Multiply semi-monthly pay by 24.

Example

\$1,300 semi-monthly pay x 24 pay periods a year = \$31,200

- This should approximate YTD on VOE. If not, check for variable income such as overtime, bonus, etc. (Employers don't always break this out).

Exclusion

- Income that is no longer available.

2. Variable Income

Definition/Inclusions

Base pay with irregular hours (full time, part time and seasonal work), including any sick, holiday, and vacation pay; **and**

All variable earnings, such as bonuses, profit-sharing, overtime, shift pay, commissions, tips

Guidance

Variable hours/pay: Applicant's hours and/or pay varies. Common examples of variable-paid work include: nursing, restaurant, retail, part-time work.

- Two types of variable income:
 - Base pay with irregular hours, including any sick, holiday and vacation pay
 - Income over and above base pay, such as OT, shift differential, bonus, profit- sharing, tips, commissions etc.
- Base the amount on an average of the current and prior year's figures. In cases of new income, average the income over the time received. If this calculation is not an accurate representation of income, contact Minnesota Housing for additional guidance.
- Variable income documentation is required, and may include:
 - Paystubs (at least 1 month)
 - VOE
 - The most recent federal income tax return
- Seasonal work requires the same documentation for variable pay as outlined above and should also include any unemployment benefits.

- Use 1099s and/or verification from unemployment office to verify unemployment benefits.

To determine annualized variable income: calculate the average monthly income and multiply by 12

See examples below for how to determine average monthly variable income:

Example 1

\$1,200 overtime pay last year + \$300 year to date through March 31 = \$1,500 / 15 months = \$100 gross monthly variable pay.

Example 2

\$20,000 seasonal pay last year + \$5,000 unemployment benefits last year + \$3,000 unemployment year to date through March 31 = \$28,000 / 15 months = \$1,866.67 gross monthly variable pay.

Exclusions

- One-time (non-recurring) income; income received once that does not have a history and is unlikely to reoccur in the future.

3. Self-Employment/Business Income

Guidance

To determine annual self-employment income:

- Average the net income of the two most recent federal income tax returns (Schedule C, line 31) and year-to-date income.
- Self-employment income documentation is required, and may include, but is not limited, to:
 - Tax form Schedule C, most recent two years
 - YTD Profit & Loss Statement
 - Tax form Schedule K-1 (Form 1120S)
- Request additional supporting documentation (i.e., current balance sheet and income statement) when necessary.
- Add back entertainment and travel expenses, private retirement contribution plans, and property or equipment depreciation.

Use caution with large variations in income (whether increase or decrease) when averaging multiple years' income. The determination in these cases should be well documented.

Example

\$3,600 self-employment income two years ago, \$2,400 last year, and \$750 year to date through March 31 = $\$6,750 / 27 = \250 gross monthly self-employment income.

4. Income from Financial Assets

Definition/Inclusions

Income from: trusts, annuities, dividends, royalties, interest earned from non- retirement accounts (savings, checking, money market, investments, mutual funds, etc.)

Guidance

- Include average of periodic payments, including recurring, lump-sum payments.
- Where assets after closing exceed \$5,000, calculate interest income based on the greater of actual income or imputed income based on the current passbook savings rate, as determined by HUD.
- Income from Financial Assets documentation is required, and may include, but is not limited, to:
 - Tax forms 1040 and 1099, most recent two years
 - Most recent bank statements
 - Verifications of Deposit

Exclusion

- One-time lump sum payments
- Investments in retirement accounts (IRAs, VIPs, 403(b)'s, 401(k)'s) - Any cash withdrawals from retirements accounts

5. Government Transfer Payments

Definition/Inclusions

Government transfer payments involve payments for which no current services are performed and are a component of personal income.

- Retirement benefits
- Disability benefits
- Medical benefits (such as Medicare and Medicaid)
- Income maintenance benefits
- Unemployment insurance compensation
- Veterans benefits
- Federal education and training assistance

- Public assistance
- Worker's Compensation
- Pensions
- Social Security benefits

Guidance

- Include all sources of this income at current level (100% of gross).
- Documentation of income from government transfer payment is required, and may include, but is not limited, to:
 - Current benefits award letter; or
 - Current benefit statement(s)

Exclusions

- Food stamps
- Government-paid childcare paid directly to the provider
- Foster care income
- Section 8 vouchers

6. Insurance or Benefit Payments

Definition/Inclusions

Periodic payments derived from:

- Long-term care insurance
- Disability insurance
- Pensions
- Death benefits

Guidance

Include periodic insurance or benefit payments at current level.

Exclusions

Do not include one-time, lump-sum payments.

7. Investment Property Net Rental Income

Definition/Inclusions

Income from an investment property

Guidance

Calculate investment property net rental income:

- Establish monthly gross rent using schedule E of the most recent years' 1040 or a current, executed, lease agreement.
- Establish principal, insurance, taxes, insurance, association dues (PITIA) using mortgage, property tax, hazard insurance, and association statements, as applicable.
- Establish monthly gross rent using schedule E of the most recent years' 1040 or a current, executed, lease agreement.
- Establish PITIA using mortgage, tax, hazard, and association statements as applicable.

Exclusions

Potential roommate income or rental income of future duplex or accessory dwelling unit.

8. Contract for Deed Interest Income

Guidance

Include interest portion of contract for deed payments.

9. Child/Spousal Support

Definition/Inclusions

Child support, childcare, medical support, alimony, spousal maintenance

Guidance

- Use average of actual support received.
- Review most recent divorce/child support agreement.
- Cross-check payment schedule with bank statements, etc.

Exclusions

Court-ordered support not received, provided non-receipt is documented.

10. Regular Cash Contributions

Definition/Inclusions

Regular cash contributions from non-resident(s)

Guidance

Include all regular cash contributions from non-residents.

- Regular Cash Contributions documentation is required, and may include, but is not limited, to:
 - Letter of explanation from payer (e.g., “I have paid [Borrower Name] x dollars per month for the past x [months/years] and plan to continue this support at a [similar rate/new rate of x] [indefinitely/for the next x months]”).
 - Bank statements
 - Cancelled checks

Exclusions

One-time (non-recurring) income; income received once that does not have a history and is unlikely to reoccur in the future.

11. Employee Allowances

Definition/Inclusions

Housing, car, cell phone, etc.

Guidance

- Include all allowances or stipends as income.

Exclusions

- Reimbursements for specific employer business expenses, such as mileage reimbursements for a business trip.
- Per diem payments as reimbursement for employer business expense

12. Flexible Benefit Cash

Guidance

If cash benefits exceed benefits cost, include excess as income.

13. Custodial Account Income

Definition/Inclusions

Unearned income paid to minor children, who live with the Borrower(s) 50% of the time or more

Guidance

Include all custodial account income.

Exclusion

- 529 plans
- Accounts where someone other than the parents are named as custodian.
- Unearned income of adult dependents

14. Other Sources of Income

Guidance

Always include other sources of income not specifically excluded.

Exclusions

- Loans, scholarships, grants and tuition reimbursement
- Earned Income Tax Credit refund payments
- One-time lump sum (non- reoccurring) payments from:
 - Inheritances
 - Insurance settlements
 - Lottery winnings
 - Gambling winnings
 - Capital gains
 - Liquidation of assets
 - Settlements for personal loss
 - Reimbursements for health insurance premiums (deducted from gross pay) and any out-of-pocket expense (co-pays, etc.) from the county

15. Zero Income

Guidance

- Obtain a signed Zero Income Statement.
- Obtain two years' federal income tax returns or IRS Form 4506-T requesting verifications of non-filing. If tax returns document income, document when income stopped.